

**STATE OF MICHIGAN
CHIEF FINANCIAL OFFICERS' COUNCIL
Summary of October 28, 2004 Meeting**

The fourth meeting of the Chief Financial Officers' (CFO) Council for calendar year 2004 was held at 10:00 a.m., Thursday, October 28, 2004, in the Ottawa Conference Center, Room #4.

CFO Council members in attendance:

James Selleck – Attorney General	Allan Pohl – Labor and Economic Growth
James Kasprzak – Environmental Quality	Howard Pizzo – Management and Budget
Rita Barker – Family Independence Agency	Minesh Mody – MI Economic Dev. Corp.
Janet Laverty – History, Arts and Libraries	Joel Wortley – Military & Veterans Affairs
Karen Tarrant – Information Technology	Joseph Pavona – State

Other attendees:

Laura Hirst – Auditor General	Laura Mester – OFM
Raj Mehta – Civil Rights	Michael Moody – OFM
Jim Brandell – Community Health	Doug Ringler – OFM
Lori Schomisch – Education	Ann Dennis – Transportation
Kim Stephen – Environmental Quality	Palmer Giron – Treasury
Vaughn Bennett – Information Technology	Amy Kelso – Treasury
Pat Mallow – Information Technology	Mary MacDowell – Treasury
Joe Frick – Natural Resources	Brenda Vincent – Treasury
Ruth Mealy – OFM	

Mike Moody, Director of the Office of Financial Management (OFM) and Chair of the Council, welcomed Rita Barker, Acting CFO for the Family Independence Agency and James Kasprzak, CFO for the Department of Environmental Quality. Mike also noted that Dennis Fedewa is the new CFO for the Department of Natural Resources. Mike announced that the schedule of the 2005 meetings is available. The location has changed to The Michigan Room, 1st Floor of the Romney Building. Adel will schedule these meetings on the members' GroupWise calendar.

The draft summary of the July 22, 2004 meeting was approved as written.

There were three changes to the agenda – Vaughn Bennett gave the CEPAS presentation in Eileen Bur's absence and the State Plane Usage presentation was postponed. As an added agenda item, Karen Tarrant discussed the 360 Degree Review.

BRIEFINGS AND REPORTS TO CFOs

Statement on Auditing Standards (SAS) 99

Laura Hirst distributed two handouts dealing with fraud: the first a point sheet and the second listing possible risk assessment questions. The AICPA and the Government Accounting Office recently issued new standards requiring auditors to more proactively identify, assess and document fraud risks; design and carry out specific audit procedures to evaluate fraud risk; and report the results to management. Training has been provided to the auditors. The OAG will be asking questions of agency Chief Accountants, Internal Auditors, accounting staff and other employees to gather information for their audits. Auditors will work with the agencies to get the wording down. The OAG is required to perform brainstorming sessions, which could involve a more in-depth analytical review to be more proactive in possible fraud risks. There also will be more testing in the areas of JVs. Contacts with the program staff will be coordinated based on where the OAG sees the most risk. They will speak to the right people to resolve any “red flag” issues. The OAG would like the agency’s process for dealing with any on-going investigations. They will be looking at internal financial controls and at the program level. They will identify a risk factor and determine if it is significant to their objective and provide testing.

Centralized Electronic Payment Authorization System (CEPAS)

Vaughn Bennett distributed copies of a memo from Treasury and DIT to CFOs, Administrative Officers and State Executive Branch Agencies regarding CEPAS. He also handed out a brochure explaining the system. CEPAS is a single payment authorization system that integrates electronic receipt of credit card and electronic check transactions, which will be the standard for all agencies. This system fully facilitates electronic payments made through the Web, the phone, or from the desktop. Financially sensitive data will be stored in an encrypted format and only authorized individuals are able to view stored personal information in the database. They are visiting with each agency regarding the schedule for implementing the project. The Departments of State, State Police, Treasury and the Administrative Courts have contributed toward this project. Any questions can be directed to Eileen Bur or Vaughn Bennett.

DMB Service Rates for FY2005

Howard Pizzo distributed an August 27, 2004 memo regarding the Fiscal Year 2005 DMB Service Rates. The way DMB is charging on their contracts will be spread to all users of the contract. The parking rates and security costs were brought up as issues for discussion.

Employee Financial Disclosure Requirements

Joe Frick requested input from the other agencies on how they are complying financial disclosure requirements. Acquisition Services Letter #122 was sent to all departments and agencies requiring all employees involved in the purchasing process to complete a tutorial and sign a statement. Civil Service also requires employees disclose annually all conflicts of interest. Several questions were raised. Who and how far do we go in determining who needs to complete these forms and who is responsible for administering them? This is not just a procurement issue. Could it be done in a more efficient and effective manner? Could it be part of the annual performance appraisal? The consensus was that the process could be improved and some type of training module would be useful.

FY04 360 Degree Assessment Project Allocation

Karen Tarrant distributed the allocation for the FY04 360 Degree Assessment Project, which evaluates Group 3 and Group 4 employees. It is broken down by agency and totals \$37,382.50. Karen will obtain next year's amount, which probably will be significantly higher. The CFOs requested time to take this to their Department Directors to ask for their guidance on the issue for discussion at the next cabinet meeting.

OFM Accounting and Financial Reporting Division Update

Laura Mester, AFR Director, reported the closing is going very well with no significant issues. The agency transaction billings should have been distributed. DMB and Treasury met the guidelines for investments, interest earnings and central billings. The review of encumbrances results will be completed by early next week.

The transfer letter should go out next week. The contingency letter will go out November 3 and it is due back by November 24. A couple of changes to the Representation Letter are adding affiliated organizations, which will include the 501C; modifying the language related to encumbrances, and adding a comment related to SAS70 audits in addition to the OAG SAS99. The letter is scheduled to go out November 22 and it is due back by December 2.

OFM Payroll and Tax Reporting Division Update

Ruth Mealy, PTR Director, reported that the holiday schedule for payroll processing is out. Longevity will be paid on November 4.

The Tax Reporting Section is working on a new W-2 form. We will be expanding the form to 8 ½ x 14" to include additional information which can be folded quarterly and mailed in regular-sized envelopes, which should save on the cost of envelopes and mailing. By early spring, we hope to have W-4 update capability and hope to find a way to put W-2s online and into Self-Service.

Our new servers have been in production for a couple of months. The payroll processing batch cycle has been cut down to two days in a normal cycle with up to 20 hours of idle time. Our hope is to get it down to less than one day. We will be evaluating the current HRMN and DCDS structure.

The Time and Expense project is being reassessed.

OFM Support Services Division Update

Doug Ringler, SSD Director, reported that the biennial and internal control evaluation letter was sent today. Training sessions have been established for the IT applications and Treasury will be the pilot agency for this training.

The Maximus contract is going to the Ad Board on November 16. We have reviewed the proposals received and they will go to DMB Acquisition Services.

GASB Statement 44 orders us to include in the 2005/2006 CAFR the demand or level of service provided. SSD will be working with the Budget Office to limit this to one request. We are unsure at this point whether this includes met and unmet demands.

CFO Member Roundtable Discussion

No issues to discuss.

The meeting adjourned at 11:50 a.m.

Next meeting: Thursday, January 20, 2005 – 10:00 a.m.
The Michigan Room, 1st Floor, Romney Building

Handouts at the October 28, 2004 meeting:

- Consideration of Fraud in Financial and Performance Audits Point Sheet
- Possible Fraud Risk Assessment Questions
- Agenda for CEPAS – CFO Discussion
- CEPAS Brochure
- Memo to CFOs Administrative Officers and Chief Accountants regarding Fiscal Year 2005 DMB Service Rates
- FY 04 360 Degree Assessment Project Allocation

If you would like to receive a copy of the handouts from this meeting, please call Adel Beachnau at 517-373-1010.

Summary prepared by:

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Adel Beachnau, Council Secretary